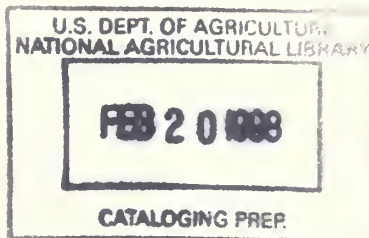


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MARKETING MARGINS FOR BEEF



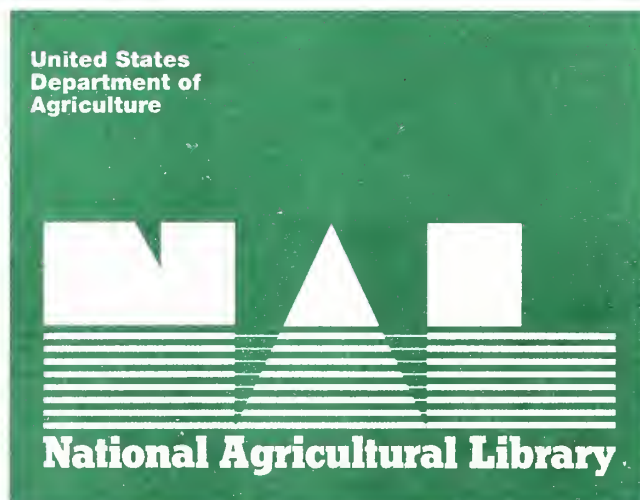
UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
WASHINGTON, D. C.
December 1953

ACKNOWLEDGEMENTS

The United States Department of Agriculture wishes to express its appreciation to the chain-store organizations and to the many independent retailers who generously and voluntarily furnished the basic data pertaining to retailing operations. Appreciation is also expressed to the National Association of Food Chains, the National Association of Retail Meat and Food Dealers, Inc. and their State associations, the National Association of Retail Grocers and their State associations, and the Supermarket Institute, Inc., who solicited the cooperation of their members for the information needed in this study. The several trade associations, chain-store organizations, and independent retailers did not participate in the analysis or in the preparation of the report. The United States Department of Agriculture is solely responsible for the analysis, findings, and opinions presented herein.

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FINDINGS

The study which formed the basis for this report was intended to find answers to two questions:

1. Have retail prices for beef reflected the declining prices of live cattle?
2. To what extent are the lower prices of cattle on the farm, especially for the lower grades, associated with (and partly caused by) a general widening of marketing margins? 1/

The essential facts brought out in this report follow:

A. Relating to cattle production and slaughter.

- (1) Numbers of cattle on farms rose to a record high of 93.7 million on January 1, 1953. This was about a 22-percent increase in 4 years. During the same period cattle prices reached an all-time high, which encouraged producers to hold breeding stock to build up herds.
- (2) In 1953 about 36 million head of cattle will be slaughtered compared to 26 million in 1951.
- (3) The increasing cattle slaughter was associated with slight declines in cattle prices beginning in 1951, which became more pronounced in late summer of 1952.
- (4) The proportionally larger marketings of lower grade grass cattle was associated with a widening of the price spreads between grades, especially in the fall months of 1952 and 1953, as the expansion phase of the cattle cycle was nearing its end.

B. Relating to farm-to-retail margins.

- (1) The regularly published United States Department of Agriculture data on overall margins for U. S. Choice grade beef show an upward trend from 1949 through 1952. There was a slight decline during 1953. The sharp drop in prices of Choice grade cattle in early 1953 was not accompanied by a widening of overall farm-to-retail marketing margins for Choice grade beef.

1/ The information assembled in this study was not adequate to make any determination as to the net profits of marketing agencies. It relates to price spreads or margins only.

(2) The live-to-wholesale margin, which includes the livestock buying, slaughtering, and wholesaling operations, fluctuated somewhat erratically from month to month. The 1952 yearly averages of the live-to-wholesale margins for Choice grade steers and Commercial and Utility grade cows were about the same as for 1951. However, these margins widened about one-half cent per pound live weight in 1953.

(3) Relating to wholesale-to-retail margins.

(a) The wholesale-to-retail margins for U. S. Choice grade beef sold through 34 chain-store organizations in 17 cities was \$10.48 per 100 pounds wholesale carcass weight in 1953. (Retail weights of Choice beef are about 80 percent of wholesale weight.) From 1950 through 1953, retail prices and wholesale costs for 11 chains in 7 cities followed generally parallel trends, and margins were relatively stable during the sharp drop in prices of Choice beef in early 1953.

(b) Wholesale-to-retail margins for stores handling U. S. Commercial and U. S. Utility grades of beef in 8 cities averaged about \$12 per 100 pounds carcass weight in October 1953. Individual store margins varied widely. Volume of meat sales was an important factor. Stores selling less than \$5,000 of meat per month averaged about a \$13 margin. Stores handling more than \$5,000 a week averaged about a \$9.75 margin.

On the basis of these findings it appears that retail prices of beef have generally reflected the declining prices for live cattle in 1952 and 1953. Prices of retail beef, wholesale beef carcasses, and live cattle generally followed parallel trends. Certain lags in the adjustment of these prices from month to month resulted in some erratic month-to-month variations in margins, but such variations have not been unusual in the past and are not all peculiar to the recent situation.

It appears that the declining prices for cattle, especially for the lower grades, were not caused primarily by a widening of marketing margins. The overall farm-to-retail marketing margin for U. S. Choice beef was at a high in 1952, but declined in 1953. Chain store wholesale-to-retail margins widened slightly following the 1951 period when OPS ceilings were fully effective but did not regain their 1950 average level. Wholesale-to-retail margins for the lower grades of beef in October 1953 were a little wider than chain-store margins for U. S. Choice grade, but this is because much of this beef is sold in smaller volume stores. Margins for sales of the lower grades of beef in larger volume stores compare favorably with chain-store margins for U. S. Choice grade. It does not appear that the \$11 price drop, from the January 1952 price of \$22 for Utility cows at midwestern markets to the September 1953 price of \$11, could have been affected by changes in margins in either direction by more than \$0.75 to \$1.00 per 100 pounds.

There were scattered examples of very depressed prices on some of the lower grade cattle sold in the local livestock markets. There were also a few cases of extremely wide margins on lower grade meats sold in retail meat stores. But this was not the usual situation. In general, the margins picture appeared to be fairly stable.

Marketing margins are a return for marketing services performed. The costs of these services (labor, rent, supplies, equipment, etc.) tend to remain rather constant over short periods, while prices of retail beef and of cattle change substantially in response to changed supply and demand conditions. A 20 cent farm-to-retail price spread is a 25 percent margin at an 80 cent price for retail beef. At a 60 cent price for beef at retail, the same 20 cent price spread is a 33-1/3 percent margin.

Declining cattle prices in the latter half of 1952 and in 1953 were caused primarily by increasing cattle slaughter as the cattle cycle approached the end of its expansion phase. The widening of the spreads between grades, in the fall months of 1952 and 1953, caused the declining cattle prices to bear most acutely on lower grades of cattle. The widening price spreads between grades were primarily caused by the changing character of the marketings, the increasing proportions of unfinished young stock and of surplus cows off grass in the total slaughter, as the cattle cycle approached the end of its expansion phase. Although droughts may have increased marketings of lower grade beyond levels otherwise expected, the effect of such marketings was at least partially offset by Government purchases of more than 240 million pounds of low-grade beef in the fall of 1953.

MARKETING MARGINS FOR BEEF

Prepared in Agricultural Marketing Service

In the fall of 1953 it was widely believed that retail prices of beef had not fully reflected the declines in prices of live cattle which began in 1951 and then became more pronounced after mid-1952. Many farmers in the Southeast, the Southwest, and the Western range States complained that prices for the lower grades of beef at retail had not declined to the extent of the generally downward trend of prices on the live cattle markets; that the margins for marketing, processing, and distributing the lower grades of beef were excessively wide. The United States Department of Agriculture recognized the concern of livestock producers over the fall in cattle prices and the anxiety of consumers about the possibility of the widening of marketing margins. It is for this reason that the Department began its study to make facts available on beef prices and margins.

THE DECLINE IN CATTLE PRICES

Lower prices for cattle during the recent period have come about primarily because many more cattle have been marketed (fig. 1). The

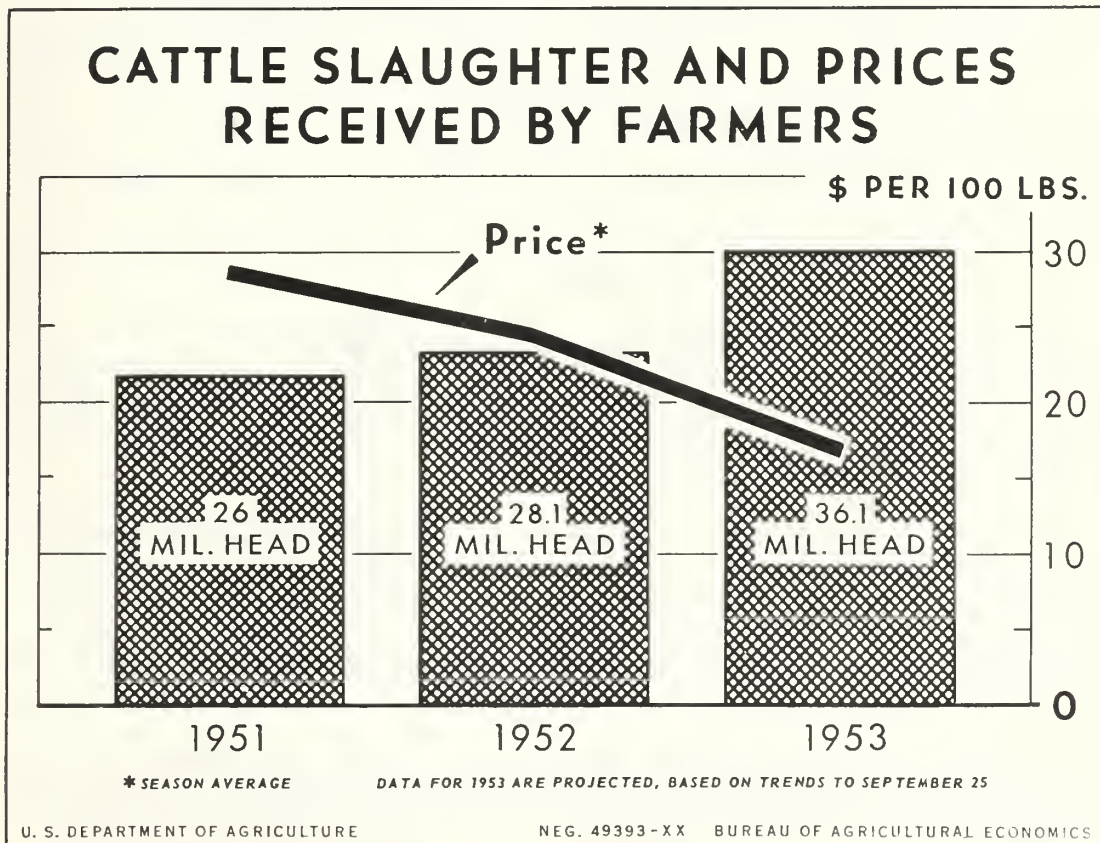


Figure 1.

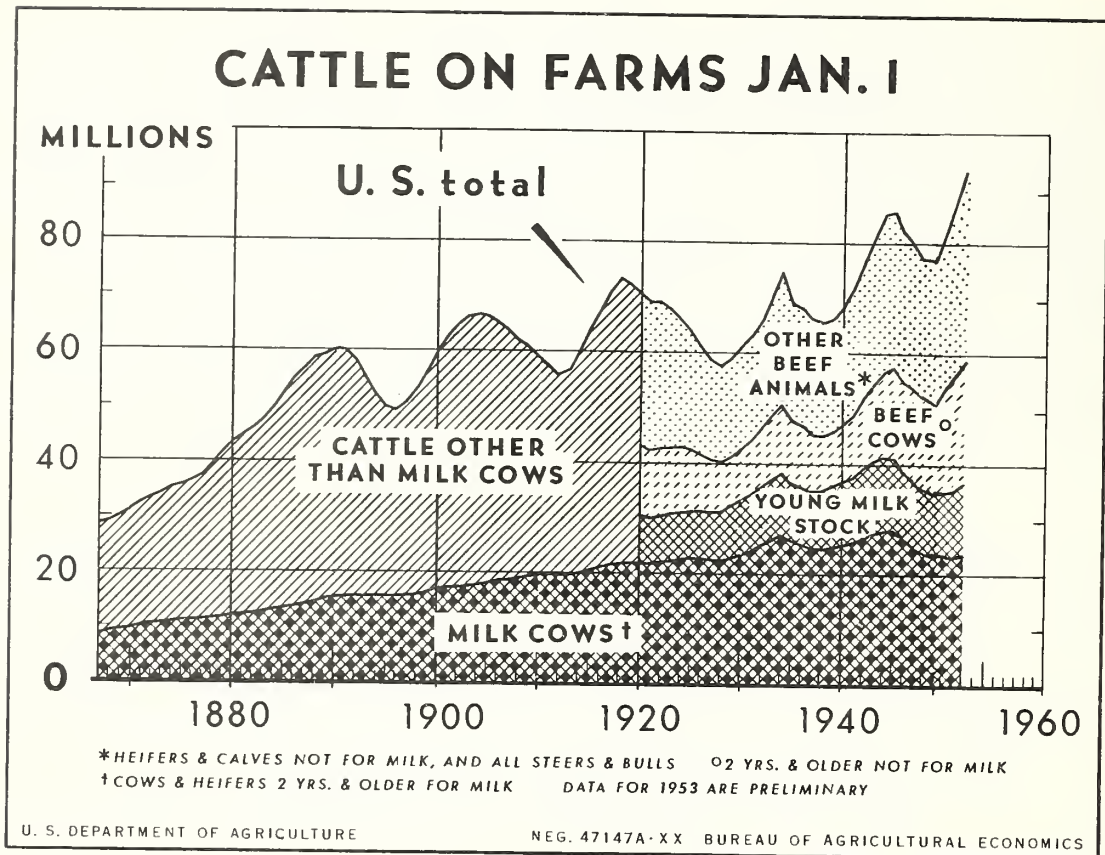


Figure 2.

large cattle slaughter in 1953 signals the approaching end of the present expansion phase of the cattle cycle, marking the climax of one of the fastest upswings in the cycle on record (fig. 2). Numbers of cattle and calves on farms January 1 increased from 77 million in 1949 to a record 93.7 million in 1953.

Typically, cattle slaughter remains at a rather low level during the first part of the expansion phase of the cycle, as fewer cows are marketed, young heifer calves are held back to build up the country's breeding herd, and slaughter steers and heifers are returned for extra gain. Toward the end of the expansion phase, cattle slaughter increased because of the effect of the larger breeding herds and calf crops.

In 1951, when cattle were still being held back to expand breeding herds, 26 million head were slaughtered. In 1953 slaughter will exceed 36 million head. Slaughter usually reaches a peak in the first year that the cattle cycle turns downward, and it hits a second peak at the time that cattle numbers decline most rapidly.

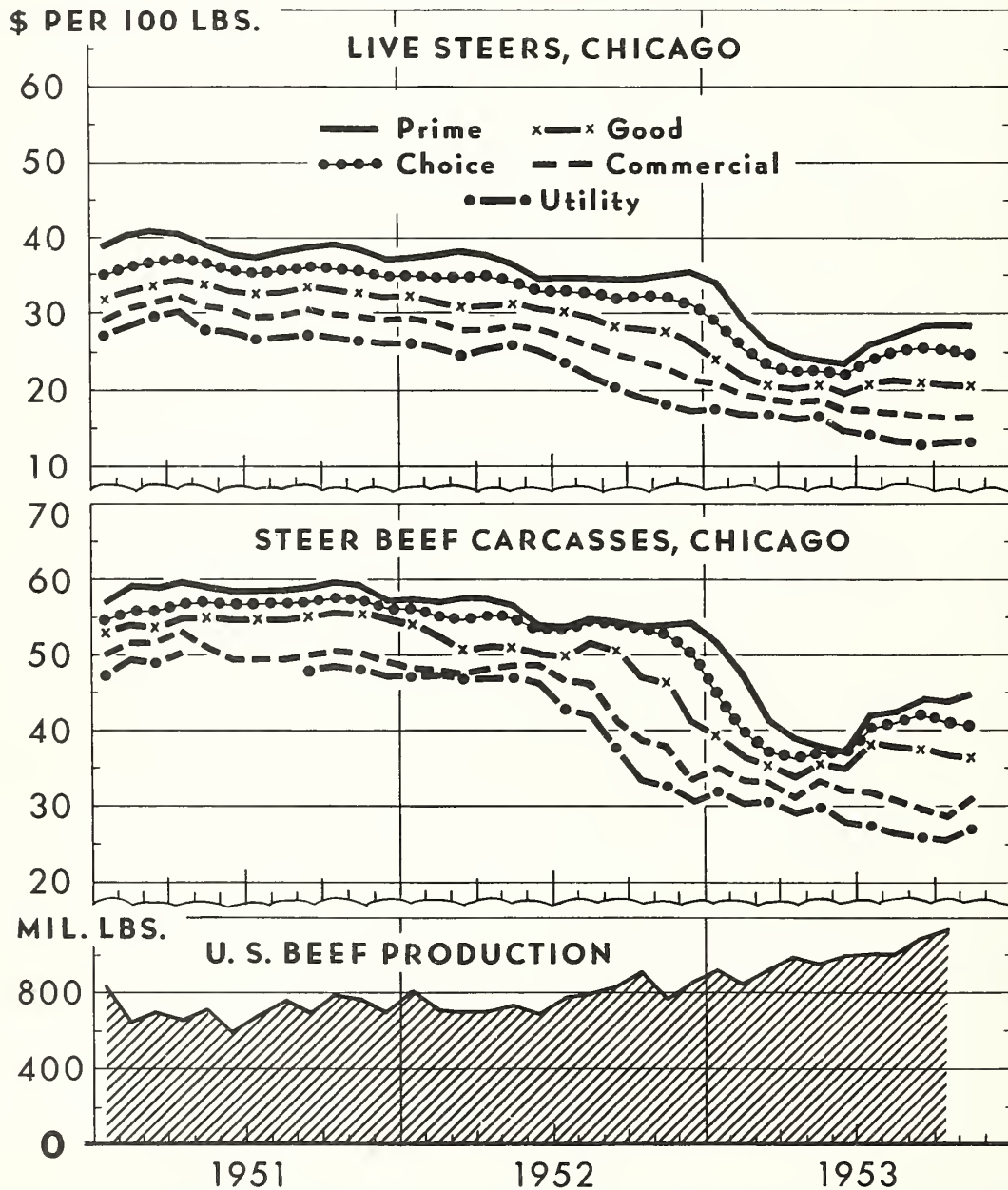
The rate of slaughter is now equal to the rate of production. Cattle numbers on farms are no longer increasing. Output and marketings of beef may remain high for the next few years, but it is likely that they will be no higher than in 1953.

A more detailed look at the trend in prices during this dramatic shift from the extremely low slaughter in 1951 to the extremely high slaughter in 1953 is provided in figure 3. Office of Price Stabilization dollars and cents ceilings were imposed on whole-sale beef carcasses about the middle of May 1951. Prices of live cattle were subject to an overall "drove purchase" ceiling limitation, but packers were not restricted as to the prices they could pay for specific grades. Ceiling prices on carcasses were raised one cent a pound in September. Prices of carcasses and cattle were restrained by these ceilings from May into November 1951. In the latter part of November 1951, prices of beef carcasses dropped below the ceilings and remained below thereafter. Although the price ceilings on beef carcasses were without effect after November 1951, prices of carcasses and cattle nevertheless remained at relatively high levels throughout the first half of 1952.

Much of the increased slaughter in the latter half of 1952 and again in late 1953 was comprised of the relatively unfinished lower grade young stock produced from the larger cow herds, the "capital goods" of the cattle industry, that had been expanding rapidly for the last several years. The initial impact of the increased slaughter was a gradual decline in the price of lower grade cattle. This explains the rather substantial widening of the price differentials between grades. Prices of the more highly finished grades held fairly firm throughout 1952, but dropped precipitously in January, February, and March of 1953 when the larger numbers of cattle sent to the feed lots the previous fall began coming to market as grain-finished beef. Price differentials between grades were again relatively narrow in the April-May-June period. July marked a sharp upsurge in prices especially for the better grades. Better grades continued strong during the rest of the summer and in the early fall of 1953. However, prices of lower grade cattle again began to decline gradually as feeders demonstrated a lower demand for stocker and feeder grass cattle and as the increased numbers of surplus cows from the expanded breeding herd came to market.

The occurrence of extremely wide price differentials between grades in the fall months of 1952 and 1953, as well as the striking variability of the price differentials within the same year were noteworthy features of this trend of declining beef prices. The changing price differentials between Prime and Utility steers at Chicago for selected months are illustrated on page 5.

LIVE AND CARCASS BEEF PRICES AND BEEF PRODUCTION



U. S. DEPARTMENT OF AGRICULTURE

NEG. 16-53(11) AGRICULTURAL MARKETING SERVICE

Figure 3.

	<u>June</u> <u>1952</u>	<u>October</u> <u>1952</u>	<u>December</u> <u>1952</u>	<u>May</u> <u>1953</u>	<u>October</u> <u>1953</u>
Prime	\$34.88	\$34.66	\$35.41	\$24.14	\$28.53
Utility	<u>25.12</u>	<u>19.20</u>	<u>17.28</u>	<u>16.16</u>	<u>12.98</u>
Price difference	9.76	15.46	18.13	7.98	15.55
<u>Utility as a percentage of Prime price</u>					
	72%	55%	49%	67%	45%

The declining price of lower grade cattle and the widening of the differential between grades during the fall months of 1952 and 1953 have given rise to most of the questions raised as to whether the extremely wide differences between grades at the farm level are reflected in beef prices at the retail counter.

Some seasonal variability in the relation of prices for lower grades of cattle to those for higher grades usually can be expected (fig. 4). This is because of the changing composition of the supply of cattle marketed, by grades, throughout the year.

Prime and Choice grade cattle are grain fed and marketed in largest numbers in spring and early summer. Normally, lower grade cattle are relatively scarce at this time. Thus, the normal spread between Utility and Prime grades is usually at its narrowest in May. But in the fall, lower grades are marketed in larger numbers at the end of the grazing season. Grain-fed cattle are relatively scarce at this time. The normal price difference is usually greatest in October.

Price differentials between grades nevertheless were much wider in the fall marketing seasons of 1952 and 1953 than in the usual seasonal pattern of price relationships. This is to be expected during the increased slaughter near the end of the expansion phase of the cycle because of the larger marketings of both unfinished young stock and surplus cows. Price differences appear to be especially wide now only because they followed a period of extremely narrow spreads among grades from 1949 through 1951 when these same lower grade cattle were held back to expand the breeding herds. The cyclical and seasonal patterns of marketing the different grades combined forces to accentuate the declining prices for lower grade cattle and to widen the spread between grades.

To meet the problem of large supplies of low-grade cattle marketed at distressed prices, the United States Department of Agriculture in August 1953 initiated the beef-purchase program which was ultimately to provide an outlet for more than 800,000 head of lower grade cattle. About three-fourths of the beef processed from these animals is made into canned beef and gravy. This is used largely for the school lunch

program, although some is also used for other distribution programs and for overseas shipments under the Foreign Operations Administration. Contract prices for this beef have recently been at a level to enable processors to buy Cutter and Canner grade cows at \$9.00 per 100 pounds live weight. Although somewhat lower in August and September, prices for these grades of cattle reached that level in late October. This program provided some support for the lower grades as it diverted more than 240 million pounds of beef which otherwise would have gone into the usual channels of distribution.

The erratic supply of the lower grades of beef, which results from the normal seasonal and cyclical patterns of marketing of these grades of cattle, creates problems in merchandising this product for wholesalers and retailers who prefer to have a constant supply of meat for their customers. Young grass cattle and surplus breeding animals from beef-type herds and cull cattle from dairy herds make up the main supply of lower grade beef sold in retail stores as U. S. Utility grade or an equivalent packer grade. When additional supplies of these low-grade cattle are thrown on the market as a result of the liquidation of herds, the marketing system must be adjusted to absorb the heavier supplies of low-grade meat. As these adjustments cannot be made immediately, the

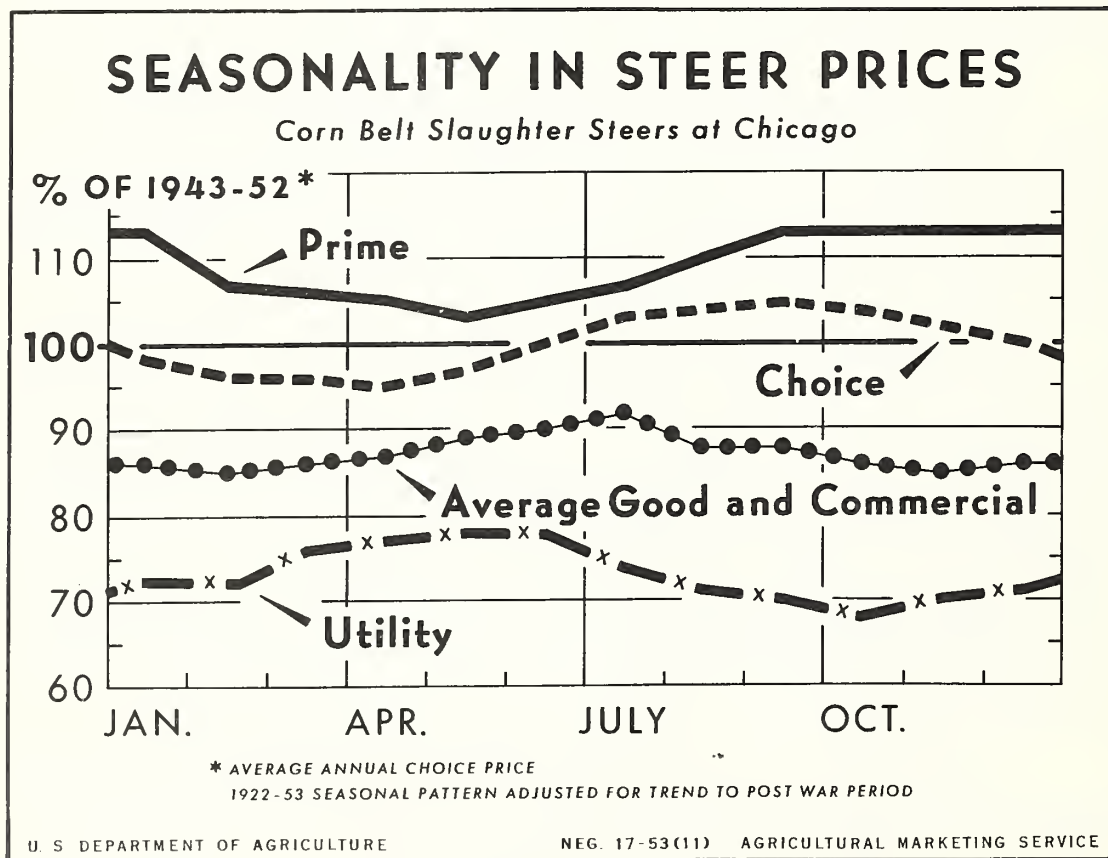


Figure 4.

liquidation process has a depressing influence on prices paid for lower grade cattle which continues until certain changes are made in merchandising to move the increased supply from farm to consumer in a more orderly way.

There are customary market outlets for a relatively continuing supply of "Utility" type beef in metropolitan areas adjacent to the milksheds in which dairy cows are heavily concentrated. In addition, in a few metropolitan markets in the Midwest large numbers of surplus cows from the beef-type herds on the ranges are marketed. When it becomes necessary to absorb an increased supply of low-grade cattle, retail outlets must be expanded immediately to avoid an added depressing factor on prices for lower grades of cattle.

Retail stores have difficulty in shifting their customers from one grade of meat to another; therefore, many of the larger firms select one grade of meat which they handle regularly. When such a grade has been adopted and customers have become accustomed to it, retailers are reluctant to change. Such a change would involve a radical adjustment in their merchandising practices and would tear down some of their investment in customer good will that has been built up through promoting a standardized grade. These rigidities in marketing practices may have contributed initially to the difficulty of producers in obtaining satisfactory prices for low-grade cattle since July 1952.

In the summer and early fall of 1953, the United States Department of Agriculture sponsored and assisted promotional campaigns by retail merchandising trade organizations to encourage retailers who formerly had handled only one type of beef to take on a second line of lower quality--either Commercial or Utility grade. It also initiated an extension and educational program to inform consumers of the wholesome and nutritious qualities of this product, the ways in which this type of meat can be prepared satisfactorily for the table, and the variety of uses to which it could be put. Emphasis was placed on the difference in price between this meat and the higher grades, and the economy of using this nutritious product in the menu.

ANALYSIS

Overall Margins for U. S. Choice Grade Beef.--The comparison of the average retail price of U. S. Choice grade beef and the farm value of the equivalent 2.16 pounds of U. S. Choice grade slaughter cattle ^{2/} is shown for 1949-53 in figure 5. Retail price data used for this comparison are derived from prices of individual cuts of beef collected nationally by the United States Bureau of Labor Statistics. An allowance is made for value of the byproducts in making this comparison (see appendix, table 10, for the detailed information on which figure 5 is based).

^{2/} It takes approximately 2.16 pounds of Choice grade live cattle to yield 1 pound of Choice grade beef at the retail store.

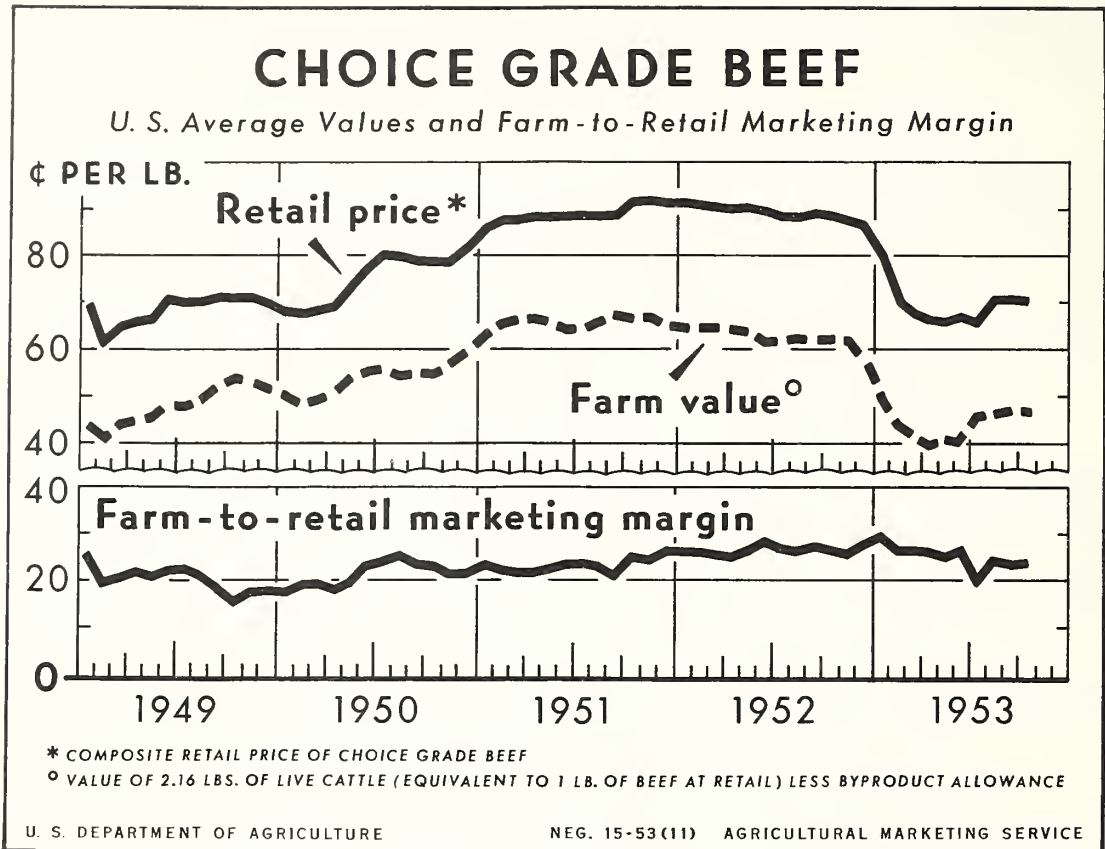


Figure 5.

Retail prices of U. S. Choice grade beef followed an upward trend during 1949, 1950, and 1951. The effect of seasonal variations in supply are rather clearly indicated in these series through 1949-50. Ceiling price regulations of the OPS which were imposed in May 1951 restricted any further rise in price for that year until ceiling prices at retail were raised in November. At that time the average retail price for all U. S. Choice grade cuts was around 90 cents a pound. The average retail price dropped slightly under ceilings in 1952. But for some cuts, especially for several of those taken from the hindquarter, prices were restrained by such ceilings for almost the entire year. Under the pressure of a greatly expanded supply, retail prices of Choice grade beef dropped sharply in the first part of 1953 but made a partial recovery in late summer to an average of a little more than 70 cents a pound.

The farm value of an equivalent quantity of U. S. Choice grade beef roughly paralleled the trend in prices at retail. The farm-to-retail marketing margin in 1949-51 was relatively constant in relation to the rather wide fluctuations in retail prices. However, wider fluctuations occurred in 1953. The margin tended slightly downward in 1949, gradually widened in 1950, 1951, and 1952, and resumed a downward trend in 1953.

Bureau of Labor Statistics price data for U. S. Choice grade beef comprise the only series for any grade that has been collected country-wide on a continuing basis. U. S. Choice is the predominant grade of beef produced and merchandised in the United States (fig. 6). From August 1951 to July 1952 about 35 percent of the federally inspected slaughter of beef was U. S. Choice grade. As approximately half of the Utility and almost all of the Canner and Cutter, and Bull meat is converted into sausages and other processed meats, this means that nearly half of the beef that moved over the block in retail stores and to hotels and restaurants during the last few years was U. S. Choice grade. U. S. Choice grade beef was fully as important as all lower grades sold over the block at retail. It is harder to obtain prices for lower grades of beef, because fewer stores handle these grades and because a larger portion of these grades are not identified with the Federal grade stamp.

Live-to-Wholesale Margins.--The foregoing discussion of the farm-to-retail margin applies to U. S. Choice grade beef only. Comparable information for other grades of beef is not available, although these grades constitute the major problem area at this time.

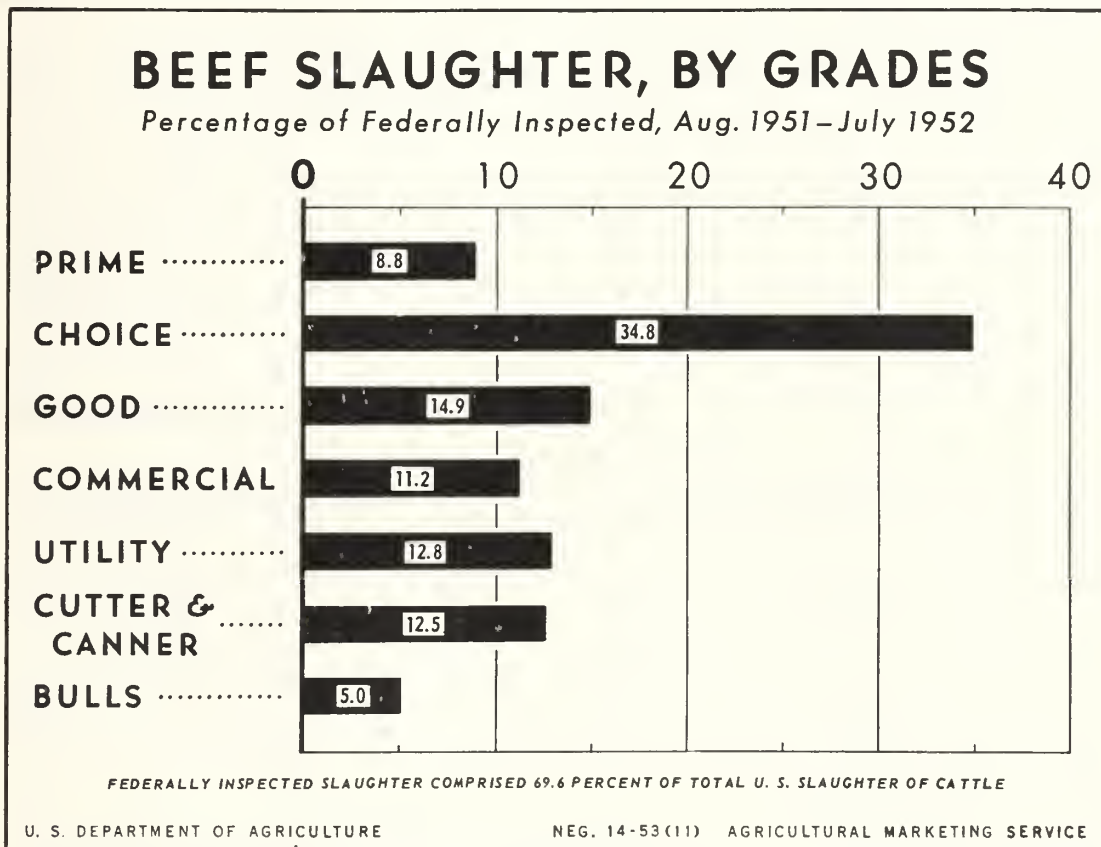


Figure 6.

It is estimated that about 25 percent of all beef is sold for processed meats, including about half of the Utility, nearly all Cutter and Canner, and Bulls, all grades. The remaining 75 percent is sold as fresh beef, including all Prime, Choice, Good, Commercial, and about half of the Utility grades.

Table 1.- Price spread per 100 pounds of live weight between wholesale carcass beef and live animal price quotations, U. S. Choice, U. S. Commercial, and U. S. Utility grades, 1949 - 1953 ^{1/}

U. S. Choice Steers					
Item	1949	1950	1951	1952	1953 ^{2/}
	Dollars	Dollars	Dollars	Dollars	Dollars
Wholesale beef carcass price per 100 pounds, 5 markets	42.81	47.46	56.88	54.68	40.99
Wholesale price (live-weight equivalent-59 percent carcass yield)	25.26	28.00	33.56	32.26	24.18
Byproduct credit	2.82	3.16	4.03	2.70	2.23
Price paid to farmers at 23 markets	25.56	29.02	35.24	32.44	23.48
Price spread per 100 pounds of live weight between wholesale price (together with byproduct credit) and prices paid to farmers	2.52	2.14	2.35	2.52	2.93
U. S. Commercial Cows					
Wholesale beef carcass price per 100 pounds, 5 markets	33.18	38.50	48.43	40.31	28.47
Wholesale price (live-weight equivalent-53 percent carcass yield)	17.58	20.41	25.67	21.36	15.09
Byproduct credit	2.82	3.16	4.03	2.70	2.23
Price paid to farmers at 23 markets	17.56	20.93	27.10	21.35	14.06
Price spread per 100 pounds of live weight between wholesale price (together with byproduct credit) and prices paid to farmers	2.84	2.64	2.60	2.71	3.26
U. S. Utility Cows					
Wholesale beef carcass price per 100 pounds, 5 markets	31.19	36.85	45.47	37.65	26.17
Wholesale price (live-weight equivalent-47 percent carcass yield)	14.66	17.32	21.37	17.70	12.30
Byproduct credit	2.82	3.16	4.03	2.70	2.23
Price paid to farmers at 23 markets	15.76	18.73	24.11	19.05	12.55
Price spread per 100 pounds of live weight between wholesale price (together with byproduct credit) and prices paid to farmers	1.72	1.75	1.29	1.35	1.98

^{1/} The average width of the price spreads for each of the grades is dependent upon the carcass yield factor used to convert the particular wholesale carcass price to live weight equivalent price. Carcass yields shown in this presentation for the different grades were those used by OPS. These spreads are shown to give some indication of the changes, rather than to indicate the absolute width.

^{2/} January-October average.

NOTE: Because of a change in grade standards, January 1951, price quotations for live cows in 1949 and 1950 are not strictly comparable with 1951 and following years.

In order to examine the price spread or margins for the lower grades of beef, Market News quotations for live animals and for wholesale carcasses were compared. This comparison applies only to the live-to-wholesale portion of the overall margin. It is the difference in the amount the farmer receives for his cattle and the amount retailers pay for the wholesale carcasses. The field survey which was undertaken to obtain information relative to the retailing portion of the overall margin is discussed in a later section. 3/

Comparison of wholesale carcass quotations, byproduct credits, and price quotations for live cattle at public stockyards markets over the entire country for U. S. Choice grade steers and U. S. Commercial and Utility grades of cows is shown in table 1. Wholesale carcass quotations were converted to live weight equivalents. The various byproducts obtained by packers from slaughter operations were also converted to live weight equivalents. From the combined sales of carcasses and byproducts, an average quotation for a live animal is subtracted to obtain an estimated price spread for the combined processing and wholesaling operations.

Live-to-wholesale price spreads appear to have been low in 1950 for U. S. Choice grade steers and in 1951 for U. S. Utility grade cows (fig. 7). This was during a period of relatively short supplies when the live cattle market had some of the characteristics of a seller's market. In 1953 the live-to-wholesale margins appeared to widen about a half dollar per 100 pounds or about one-half cent per pound in live weight terms. Monthly data are shown for 1949-53 in appendix table 11. Although monthly margins are somewhat erratic (for example, they vary from \$1.42 to \$3.95 on U. S. Commercial grade cows during 1952), the general pattern reflects a widening of margins beginning in the latter half of 1952. This coincided with the beginnings of the increased marketings of cattle for slaughter purposes and marks the transition from a seller's to a buyer's market, particularly so far as the lower grades are concerned.

Special Study of Prices at Livestock Auction Markets.--Information collected from the offices of 13 State agricultural statisticians of the former Bureau of Agricultural Economics indicate that, although cattle and calves were selling at very low prices at livestock auction markets in the fall of 1953, there was no evidence of widespread disorganization of the usual marketing process. A substantial volume of cattle moved through the auctions with considerable dispatch, and with a surprisingly close agreement in price between different markets for similar grades of animals. There were cases in which animals of a quality not common to a particular market sold at prices well above or well below prices for

3/ The live-to-wholesale margin and wholesale-to-retail margin (discussed in later sections) do not provide the complete breakdown of the farm-to-retail margin. Transportation and marketing costs from farms to the primary markets are not included, nor are all the transportation costs from packer to retailer.

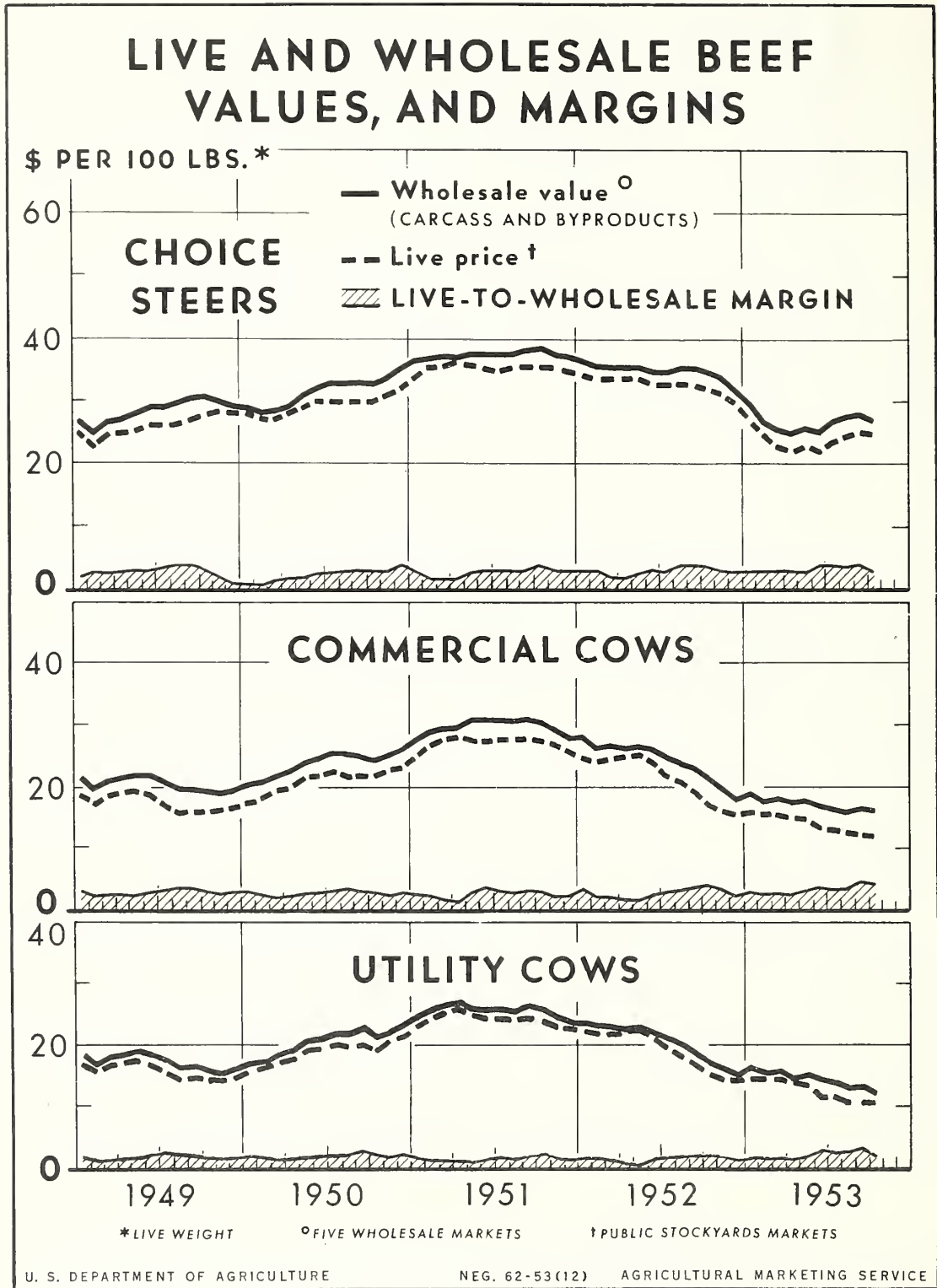


Figure 7.

similar animals on the public markets, but this situation is more or less common and it was not peculiar to that particular time. There was little evidence of any failure of the market to move livestock at competitive prices. Appendix tables 12 and 13 compare price trends at central markets and at livestock auctions in the South and West from September 1952 to September 1953.

Chain Store Retail Prices, Wholesale Costs, and Margins.--Retail prices and wholesale carcass costs for U. S. Choice grade beef were obtained from 34 chain-store organizations with about 4,000 outlets in 17 cities for the midmonth of each quarter in 1953. The average composite retail price on a carcass-weight basis 4/, the average wholesale carcass costs, and the wholesale-retail price spread or margin 5/ are shown in table 2.

Changes in the average composite retail price and in wholesale costs reflect changes in Choice grade live cattle prices during the year (fig. 3). The average of the composite retail prices for the 4 selected months of 1953 was \$51.46 per 100 pounds carcass weight. Average wholesale costs were \$40.98 and the wholesale-retail spread or dollar margin was \$10.48 on a carcass-weight basis.

Similar information from a smaller, somewhat less adequate sample of 11 chain-store organizations with about 2,500 outlets in 7 major cities from 1950 through 1953 is shown in figure 8. 6/ This is introduced here only to illustrate the parallel trends between retail composite prices and wholesale carcass costs for U. S. Choice beef during this period.

The composite retail price of U. S. Choice grade beef sold in chain stores rose rather sharply through 1950 to the first quarter of 1951. During the last three quarters of 1951, retail prices of beef were under

4/ The composite retail price per 100 pounds carcass weight is roughly 80 percent of the average retail price per 100 pounds of retail cuts. This is because about 20 percent of the carcass, representing suet shop fat, bone and trim, does not move over the retail counter, but is sold to renderers for less than a cent a pound.

5/ The wholesale-retail price spread or margin reported here is not a realized margin because it does not allow for losses in weight and value of product from spoilage, salvage selling, pilferage, and other factors. These losses are estimated at between 2-1/2 to 6 percent of retail sales.

6/ The prices shown in the chain-store series (fig. 8) and in the average retail price for U. S. Choice grade beef (fig. 5) are not comparable. Chain-store prices are based on carcass weight. Overall retail prices for U. S. Choice beef are based on retail weight, which is approximately 80 percent of the carcass weight.

Table 2.- Composite retail price, average wholesale cost, and wholesale-retail price spread per 100 pounds of carcass beef, U. S. Choice grade, for chain stores 1/, February, May, August, and November 1953

	1953				
	February	May	August	November	Average
	Dollars	Dollars	Dollars	Dollars	Dollars
Average composite retail price per 100 lbs. carcass beef <u>2/</u>	52.62	48.52	53.18	51.50	51.46
Average wholesale cost per 100 lbs. carcass beef	41.63	38.55	42.82	40.90	40.98
Wholesale-retail price spread per 100 lbs. carcass weight <u>3/</u>	10.99	9.97	10.36	10.60	10.48
Wholesale-retail price spread per 100 lbs. carcass weight as percentage of composite retail price	Percent 20.9	Percent 20.5	Percent 19.5	Percent 20.6	Percent 20.4

1/ Data were obtained from 34 chain-store organizations in 15 cities, including Boston, New York, Buffalo, Philadelphia, Washington, Jacksonville, Atlanta, Dallas-Fort Worth, Minneapolis-St. Paul, Denver, St. Louis, Chicago, Seattle-Tacoma-Everett, San Francisco, and Los Angeles.

2/ Composite retail beef price is the estimated total retail sales returns resulting from the sale of all retail cuts of beef, including the sale of suet, shop-fat, and bones derived from 100 pounds of beef carcass as determined by cutting tests.

3/ No allowances were made for losses in weight and value of product resulting from spoilage, salvage selling, and other factors.

the effects of the OPS dollars and cents ceiling prices which were imposed in May of that year. Average retail prices of U. S. Choice grade beef moved under ceilings in 1952, although some of the hindquarter retail cuts still sold at ceiling prices during much of that year. Retail price trends for U. S. Choice grade at chain stores reflect the same drop in prices during 1953 that occurred for Choice grade steers (fig. 3) and the average retail beef prices collected by the Bureau of Labor Statistics (fig. 5). (In comparing the chain-store figure with preceding figures, it should be remembered that the latter chart was based on price data for the midmonths of each quarter while the previous charts were based on monthly data.)

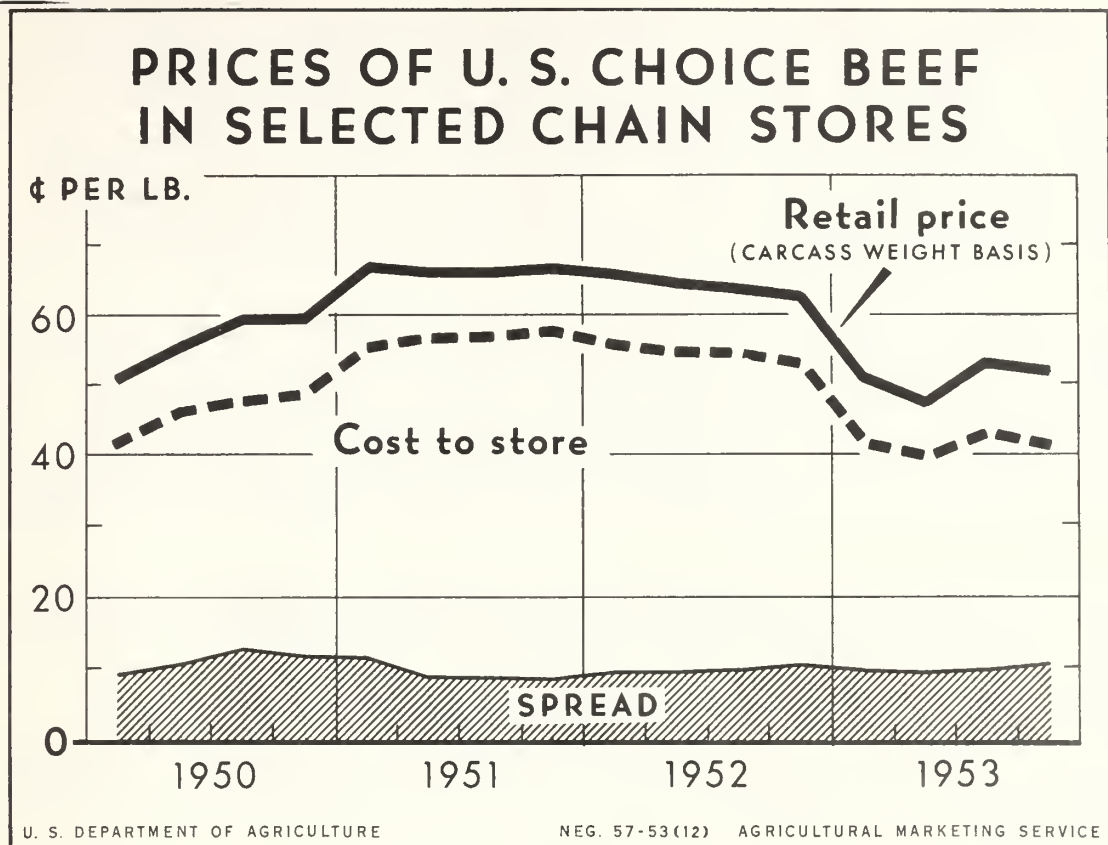


Figure 8.

Wholesale costs followed an approximately parallel trend with average retail composite prices from 1950 to 1953. The wholesale-retail price spread or margin was much more stable than retail prices during this period. Nevertheless, the price spread was at its narrowest during the period from May to November 1951 when OPS price ceilings on prices of both retail beef cuts and wholesale beef carcasses were fully effective. Both buying costs and selling prices were controlled. The wholesale-retail price spread, therefore, was also controlled, and it was at a lower level than prevailed under the free market in the previous year. As most retail and wholesale beef prices eased under the legal ceilings in 1952, and the price spread was no longer rigidly restrained by controls, wholesale-retail price spreads widened slightly. At no time, however, do they appear to have regained the position they had in the last two quarters of 1950.

Although not clearly evident in 1953 data, the dollar wholesale-retail price spread or margin tends to remain more stable than the percentage margin. This is because the retail margin is a return for retailing services performed. The costs of these services (labor, rent, supplies, and equipment) tend to remain rather constant over short periods, even though the prices of meat change substantially in response to changed conditions of supply and demand. A \$10 wholesale-retail price spread is 15.4 percent margin at a \$65 composite retail price. The same \$10 price spread is a 20-percent margin at a \$50 composite retail price.

Two additional points must be considered in examining the changing price spread in 1949-53. One is the changing wage-rate structure for meat cutters. In New York, Washington, Chicago, Dallas, Denver, San Francisco, and Seattle, the hourly wage rate of full-time journeyman meat cutters increased 22 percent from January 1950 to October 1953. It is not known to what extent the increase in wage costs may have been offset by increasing productivity of labor and additional sales volume.

The other point is that in a period of rising or high beef prices, retailers appear to be reluctant to reflect the full increase in wholesale costs in their prices to consumers. The fear of adverse consumer reaction to the full force of the increased price level is a restraining factor. The slight widening of beef margins after the 1951 control period may reflect either the efforts of retailers to regain former margins for beef as the price level declined, or the efforts of retailers to compensate for a reduced margin on pork when prices of pork increased during 1953.

Average Retail Prices, Wholesale Costs, and Retailing Margins for Commercial and Utility Grades of Beef.-- The foregoing discussion of the trend in retail prices and in wholesale costs of beef sold in chain stores is related entirely to the U. S. Choice grade. But the problem area with respect to the size of the marketing margin or spread has been concerned primarily with the lower grades of beef sold as fresh meat. Unfortunately, historical information on retail prices for lower grades of beef is not available. There is no regular reporting service for the retail prices of lower grades, such as the Bureau of Labor Statistics has for the U. S. Choice grade. Nor are records available from the various chain-store organizations for the lower grades of beef, as most of the larger chains specialize in either U. S. Choice or U. S. Good grade.

Although the trends in retail prices and retailing margins for the lower grades of beef cannot be analyzed, a field survey was conducted in October 1953 in 9 cities to obtain information on current retail prices, wholesale costs, and margins for handling lower grade beef. 7/

7/ These cities were Boston, Mass.; Buffalo, N. Y.; Jacksonville, Fla.; Montgomery, Ala.; Minneapolis-St. Paul, Minn.; St. Louis, Mo.; Dallas, Texas; Los Angeles, Calif.; and Seattle, Wash. (The Seattle sample included a few stores in Portland as it was difficult to get an adequate sample of stores handling Commercial and Utility beef in Seattle.)

A total of 117 stores were surveyed. Twenty-three handled "calf" meat only, 4 handled calf and mature beef, and 90 handled mature beef only. In 82 stores either U. S. Commercial or U. S. Utility, or a Blend of U. S. Commercial and U. S. Utility was handled. (Five stores handled U. S. Commercial and U. S. Utility as separate lines of beef.)

Stores having the blended Commercial and Utility line in general followed one of two merchandising practices. The first group consciously intended to include both of these grades in the line of beef they sold, and they bought both grades separately in the wholesale market at different prices for each. The second group included stores that bought beef according to packer brands. Such brands included a range of quality that extended on either side of the borderline between U. S. Commercial and U. S. Utility grades. Average composite retail prices, wholesale costs, and gross dollar margins are shown in table 3. Retail prices and wholesale costs reflected differences between Utility and Commercial live cattle prices which prevailed in October 1953.

Table 3.--Average composite retail prices, wholesale costs, dollar margins, and percentage margins per 100 pounds of carcass beef, U. S. Commercial, a Blend of U. S. Commercial and U. S. Utility, and U. S. Utility grades, 82 stores located in 8 cities, October 1953

	:	:	:	:
	:	U. S.	Blend-U.S.	U. S.
	:	Commercial	Commercial	Utility
	:		and U. S.	
	:		Utility	
	:	Dollars	Dollars	Dollars
Average composite retail price	:			
per 100 lbs. carcass beef <u>1/</u>	:	41.21	36.34	34.66
Average wholesale cost per	:			
100 lbs. carcass beef	:	29.18	24.28	22.90
Wholesale-retail price spread	:			
per 100 lbs. carcass weight <u>2/</u>	:	12.03	12.06	11.76
	:	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Wholesale-retail price spread	:			
per 100 lbs. of carcass weight	:			
as percentage of composite	:			
retail price	:	29.2	33.2	33.9

1/ Composite retail beef price is the estimated total retail sales return resulting from the sale of all retail cuts of beef, including the sale of suet, shop-fat, and bones derived from 100 pounds of beef carcass as determined by cutting tests.

2/ No allowances were made for losses in weight and value of product resulting from spoilage, salvage selling, and other factors.

Table 4.- Average composite retail price, wholesale cost, and estimated gross dollar margins, U. S. Good and Commercial calf, 27 stores, October 1953

	:	Good	:	Commercial
	:	Dollars	:	Dollars
Average composite retail price	:		:	
per 100 lbs. carcass beef <u>1/</u>	:	39.40	:	32.39
Average wholesale cost per	:		:	
100 lbs. carcass beef	:	27.55	:	22.31
Wholesale-retail price spread	:		:	
per 100 lbs. carcass weight <u>2/</u>	:	11.85	:	10.08
	:		:	
	:	Percent	:	Percent
	:		:	
Wholesale-retail price spread	:		:	
per 100 lbs. carcass weight as	:		:	
percentage of composite retail	:		:	
price	:	30.1	:	31.1

1/ Composite retail beef price is the estimated total retail sales return resulting from the sale of all retail cuts of beef, including the sale of suet, shop-fat, and bones derived from 100 pounds of beef carcass as determined by cutting tests.

2/ No allowances were made for losses in weight and value of product resulting from spoilage, salvage selling, and other factors.

In two southern cities a substantial part of the meat which was merchandised as beef was actually graded as calf. Calf is intermediate in maturity between veal and beef. Most of the calf meat sold in these cities came from carcasses weighing 200 to 250 pounds. Live animals that would produce such carcasses would normally weigh 400 to 500 pounds and might be from 5 to 9 months old. In these particular cities calf appeared to be freely accepted by consumers as a substitute for beef. The supply of calf is highly seasonal, but when it is available in the fall it practically dominates the local beef market. Very little beef other than U. S. Choice grade was available in these cities at the time the study was made. Prices of U. S. Good grade calf obtained in this study were about comparable to those obtained for U. S. Commercial beef. Similarly, the prices obtained for U. S. Commercial grade calf compared approximately with prices obtained for U. S. Utility grade beef. Average retail prices, wholesale costs, and estimated margins for U. S. Good and Commercial calf are shown in table 4.

The average estimated gross dollar margin for each of these three categories of the lower grades of beef, U. S. Commercial, Blend of U. S. Commercial and Utility, and U. S. Utility, was approximately the same, about \$12 per 100 pounds carcass weight. The gross dollar margin appears to be a little more than a dollar higher per 100 pounds than for U. S. Choice grade beef handled by chain stores included in the survey. On a live-weight basis this difference in margin would be approximately 50 to 60 cents per 100 pounds.

In comparing margins of Commercial and Utility grades of beef with margins of beef sold in chain stores, several considerations should be kept in mind. One is that not all stores which handled these grades in October 1953 carry the lower quality product regularly. As the supply of lower grade beef increases on the market, margins may widen momentarily because the number of outlets is insufficient to handle the added supply. This widening of the margin attracts other retail outlets to take on the lower grades of beef, either as an additional line or as a substitute line for one previously sold by the retail store. Another point is that retail prices customarily lag somewhat behind wholesale prices during a downward price trend.

It is also recognized that larger volume outlets can sell meat more efficiently. This is demonstrated in table 5. 8/

Table 5.- Estimated dollar margin for U. S. Commercial and Utility grades of beef as related to weekly meat sales per store, October 1953

Weekly meat sales per store	: Number of : : stores :	Average : : volume : Dollars	Average : : margin : Dollars
Less than \$2,000	: 20	1,338	14.22
\$2,000 - \$5,000	: 26	3,197	12.05
\$5,000 - \$10,000	: 21	6,395	9.93
\$10,000 - \$25,000	: 14	13,154	9.66
\$25,000 and over	: 5	49,750	9.28

8/ It is probable that many of the smaller volume stores, which reported relatively high retail prices (from which margins were computed), actually realized a lower gross margin than did the more efficient and larger volume stores. Smaller volume stores tend to incur greater losses in retailing operations because of slower turnover of a highly perishable product.

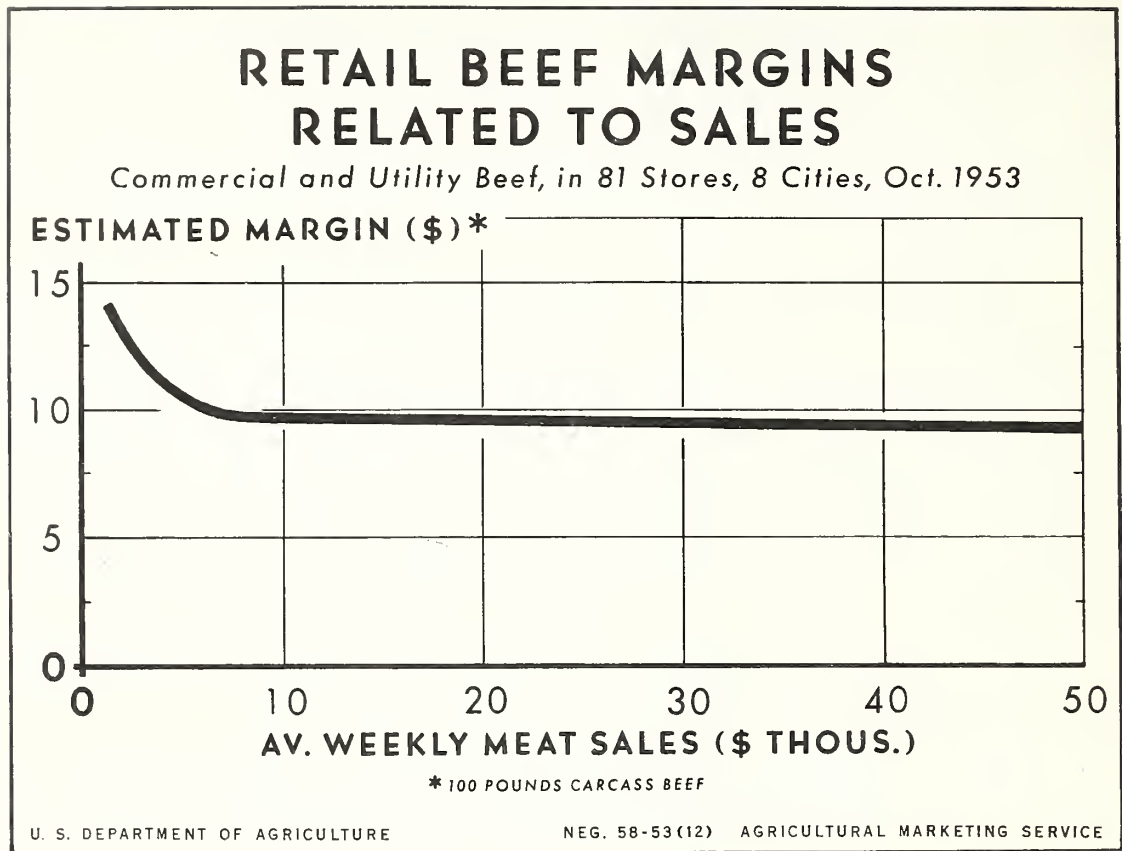


Figure 9.

Figure 9 graphically presents the same relationship between gross dollar margins and volume of sales. Most of these are independent stores and many have a smaller volume of business than the average chain store. But it is significant that stores handling more than \$5,000 weekly meat sales had overall dollar margins which compared favorably with chain store margins for U. S. Choice grade beef. Thus, a partial explanation of the somewhat wider margins reported for the lower grades lies in the fact that much of this beef is sold in smaller retail outlets.

Overall dollar margins for handling the lower grades of beef varied among the different stores (table 6). This variation may be partly explained by different merchandising practices among the different stores. None of these stores sold beef only. Consequently, the beef margin must be viewed in light of the overall store operations. Some stores may have used the low grades of beef as a feature item primarily to attract customers into the store. Others may have sold other meats as feature items, and hoped to compensate by taking a somewhat wider margin on beef.

Table 6.--Frequency distribution of 87 estimated retail gross margins, per 100 pounds of U. S. Commercial and Utility grades of beef, classified according to magnitudes, 82 stores, 8 cities, October 1953

Estimated gross dollar margins	Number of observations			
	U. S.	U. S.	U. S.	Total
	Commercial	Commercial	Utility	
		and Utility:	Utility	
		blend		
Less than \$5.00	0	0	0	0
5.00 - 7.49	3	2	10	15
7.50 - 9.99	8	4	7	19
10.00 - 12.49	7	7	6	20
12.50 - 14.99	10	3	5	18
15.00 - 17.49	3	2	3	8
17.50 - 19.99	5	1	0	6
20.00 and over	0	0	1	1
Total	36	19	32	87

This study did not take into consideration losses in weight and in value of product resulting from spoilage, salvage selling, and store shrinkage. "Realized" margins are less than "attempted" margins. Differences between realized and attempted margins were probably greater for the smaller stores.

A further consideration is that the data are from different cities, which differed widely in average margin per store (table 7). Most of the differences among cities can be explained by the differences in the average size of the store. Differences in costs of labor may have had some influence, but it appears that they were relatively unimportant in accounting for differences in margins.

Table 7.--Estimated gross dollar margins per 100 pounds of carcass beef, U. S. Commercial and Utility grades, 73 stores, 6 cities, October 1953

Item	Estimated gross dollar margin		
	Blend - U. S. :		
	U. S. :	Commercial and:	U. S. Utility
	Commercial :	U.S. Utility :	
	Dollars	Dollars	Dollars
"B"	13.43	--	--
"C"	10.85	10.58	9.59
"D"	12.45	12.28	12.33
"E"	10.89	13.31	16.57
"F"	14.75	--	12.41
"G"	9.81	--	7.91
Average	12.03	12.06	11.76

A number of stores handled a better grade of beef as a separate line from the lower grade of beef. Four handled U. S. Choice and Commercial, 9 handled Good and Commercial, 14 handled Good and Utility as separate lines, while 4 handled Good, Commercial, and Utility, three separate lines of beef. Prices for selected cuts were compared by grades. These are shown in table 8.

Table 8.--Average retail beef prices, selected cuts by grades, 94 stores, 8 cities, October 1953

Item	Retail price per pound				
	U. S. :	U. S. :	U. S. :	U. S. :	U. S. :
	Choice :	Good :	Commercial:	and Utility:	Utility
				ty blend :	
	Cents	Cents	Cents	Cents	Cents
Retail cuts:					
Porterhouse steak	100	88	73	66	57
Sirloin steak	88	82	65	56	51
Top round steak	93	86	73	66	62
Blade chuck roast,					
bone-in	47	46	39	37	36
Plate beef, bone-in	23	31	24	24	24

The prices shown in table 8 rather strikingly illustrate the rank ordering of consumer preferences by grades for the different cuts. The several steak cuts, especially Porterhouse, have a wide differential between grades. Broiling qualities of Porterhouse and Sirloin steaks deteriorate rapidly as beef moves down in grade. These cuts must carry much of the premium that is paid for the higher grades of live cattle. Chuck roast, on the other hand, has relatively narrow margins between grades. Although the meaty portion of the better grades of chuck roasts may be more tender, juicy, and palatable than is the case for the lower



ENJOY A DINNER OF WITT'S FAMOUS BEEF

• Beef is an Important Body Builder

• Witt's Superior Selection Includes:

1. 30 different kinds of steak; packaged in hundreds of different weights for your selection.
2. 39c to \$2.10 per pound

• Three Grades for Your Choice:

1. Witt's Blue Ribbon is properly aged for four weeks. Includes U. S. Choice and U. S. Good, BUT U. S. grading is not good enough. It's got to be properly aged before it's Witt's Blue Ribbon.
2. Witt's Red Ribbon is a lean, tasty Beef, U. S. Commercial.
3. Witt's Utility is economical, lean beef, U. S. Utility.

• Serve Yourself Just as You Wish:

1. Judge and choose as you wish with no pressure or obligation.
2. No waiting in line or for a number, just select when you want to. Service is as prompt as you want to make it.

	Blue Ribbon Properly Aged	Red Ribbon	UTILITY
Club Steak	95¢ lb.	69¢ lb.	49¢ lb.
Porterhouse Steak . . .	99¢ lb.	73¢ lb.	49¢ lb.
Sirloin Steak, Bone in .		69¢ lb.	39¢ lb.
Top Sirloin Steak, boneless 1.22 lb.		89¢ lb.	
Sirloin Tip Steak, boneless 99¢ lb.		79¢ lb.	59¢ lb.
Top Round Steak, boneless 93¢ lb.		69¢ lb.	59¢ lb.
Blade Pot Roast	51¢ lb.	39¢ lb.	29¢ lb.
Arm Pot Roast	57¢ lb.	45¢ lb.	33¢ lb.
Pot Roast, boneless . .	65¢ lb.	53¢ lb.	39¢ lb.
Cube Steaks, boneless . 1.14 lb.		89¢ lb.	

grades, nevertheless with proper moist heat preparation lower grades of beef can be used fairly satisfactorily for pot roasts. The U. S. Choice plate beef on the average sold for less than the lower grade of plate beef. Plate beef from the higher grade carcasses carries more intermuscular fat than is needed for the desired tenderness and palatability, and it may actually sell for a lower price.

A further example of the differences in retail prices between grades is illustrated in the store advertisement shown in figure 10. This store handled three lines of beef, a U. S. Good and U. S. Choice blend, U. S. Commercial, and U. S. Utility grades. The price differences between grades in this store were somewhat greater than average.

Of the 90 stores handling beef (not calf) 26 were handling two or more separate and distinct grades of beef with different price lists for each. These stores tended to concentrate among the large volume stores, although they were distributed among all size groups (table 9). About two-thirds of the stores with more than \$5,000 meat sales per week handled two or more grades. Only one-sixth of the stores with less than \$5,000 sales handled more than one grade.

The alternate grade combination (such as U. S. Choice and U. S. Commercial, skipping the intermediate U. S. Good grade) was the most popular type of combination among stores handling multiple grades. Some stores handled the two grades of beef at opposite ends of the meat counter with pork,

Figure 10.--Advertisement for a store handling several separate lines of beef.

Table 9.--Stores handling two or more distinct lines of beef,
by volume

Combination of grades	Weekly meat sales			Total
	Less than \$5,000	\$5,000 and over		
	Number of stores	Number of stores		Number of stores
Three grades of beef (for example, Good, Commercial, and Utility)	1	5		6
Two grades of beef:				
Adjacent grades (for example, Good and Commercial, or Commercial and Utility)	3	3		6
Alternate grades (for example, Choice and Commercial, or Good and Utility)	5	9		14
Total two or more distinct grades	9	17		26

veal, lamb, and processed items in between. The practice of handling alternate grades (either U. S. Choice and U. S. Commercial, or U. S. Good and U. S. Utility) enables customers more readily to distinguish between the different levels of quality, and avoids possible customer suspicions that the separate grades of beef are intermingled.

The foregoing merchandising practices suggest the possibility that other large-volume outlets, now handling one of the better grades of beef exclusively (either U. S. Choice or U. S. Good grades), might cater to a wider range of consumer preferences by adding a second line of leaner beef. Furthermore, if more outlets regularly handled the lower grades of beef, merchandising adjustments could be made more smoothly when the supplies of this product change substantially during the different phases of the cattle cycle.

APPENDIX

Table 12.--Composite retail price of beef cuts per pound, payment to farmers for 2.16 pounds of U. S. Choice grade beef cattle with adjustments for byproduct allowance, marketing margin, and farmer's share of retail price, 1949-53, by months, from B&E Market Basket data 1/

Year	Item	Unit	January	February	March	April	May	June	July	August	September	October	November	December	Average
1949	Retail price per pound 2/	Cents	60.3	60.8	61.3	65.5	66.3	70.7	70.1	70.2	71.5	71.2	71.3	70.0	68.4
	Gross farm value 3/	do.	49.9	46.4	49.5	49.7	51.1	54.3	53.7	55.1	58.0	60.1	58.8	57.2	53.6
	Byproduct allowance 4/	do.	6.1	5.3	5.4	5.3	5.4	5.5	5.6	5.6	5.4	5.6	5.4	5.3	5.4
	Net farm value 5/	do.	43.8	41.1	44.1	44.4	45.7	48.8	48.1	49.5	52.6	54.5	53.4	51.9	48.2
	Marketing margin 6/	do.	25.5	19.7	20.2	21.1	20.6	21.9	22.0	20.7	18.9	16.7	17.9	18.1	20.2
	Farmer's share	Percent	63	68	69	68	69	69	69	71	74	77	75	74	70
1950	Retail price per pound 2/	Cents	68.2	67.8	68.7	69.3	74.0	77.7	80.3	80.1	79.2	78.8	78.6	81.5	75.4
	Gross farm value 3/	do.	55.6	53.5	54.7	56.3	59.9	61.6	62.9	61.9	63.1	62.8	64.9	67.9	60.4
	Byproduct allowance 4/	do.	5.2	4.9	5.2	5.4	5.6	6.0	6.4	6.9	7.5	7.1	7.6	7.8	6.3
	Net farm value 5/	do.	50.4	48.6	49.5	50.9	54.3	55.6	56.5	55.0	55.6	55.7	57.3	60.1	54.1
	Marketing margin 6/	do.	17.8	19.2	19.2	16.4	19.7	22.1	23.8	23.1	23.6	23.1	21.3	21.4	21.3
	Farmer's share	Percent	74	72	72	73	73	72	70	69	70	71	73	74	72
1951	Retail price per pound 2/	Cents	85.8	87.6	87.7	88.3	88.2	88.4	88.6	88.5	88.6	91.4	91.8	91.6	88.9
	Gross farm value 3/	do.	71.4	74.2	74.8	75.5	74.3	72.9	73.0	71.0	75.9	74.6	74.2	71.8	73.9
	Byproduct allowance 4/	do.	8.9	8.5	8.7	8.6	8.3	8.3	8.2	8.0	8.2	8.2	7.0	6.7	8.1
	Net farm value 5/	do.	62.5	65.7	66.1	66.9	66.0	64.6	64.8	66.0	67.7	66.4	67.2	65.1	65.8
	Marketing margin 6/	do.	23.3	21.9	21.6	21.4	22.2	23.8	23.8	22.5	20.9	25.0	24.6	26.5	23.1
	Farmer's share	Percent	73	75	75	76	75	73	73	75	76	73	73	71	74
1952	Retail price per pound 2/	Cents	91.3	90.8	90.4	90.2	90.2	89.6	88.7	93.7	89.3	88.5	87.4	86.1	89.3
	Gross farm value 3/	do.	70.9	70.4	70.1	69.8	69.0	66.7	67.3	67.7	67.3	67.0	66.6	63.2	68.0
	Byproduct allowance 4/	do.	6.2	5.8	5.5	5.2	5.5	5.7	5.7	5.6	5.4	5.0	5.1	5.0	5.5
	Net farm value 5/	do.	64.7	64.6	64.6	64.6	63.5	61.0	61.6	62.1	61.9	62.0	61.5	58.2	62.5
	Marketing margin 6/	do.	26.6	26.2	25.8	25.6	26.7	28.6	27.1	26.6	27.4	26.5	25.9	27.9	26.8
	Farmer's share	Percent	71	71	71	72	70	68	69	70	69	70	70	68	70
1953	Retail price per pound 2/	Cents	80.5	71.2	68.3	66.8	66.0	67.0	65.8	71.0	71.0	71.0	71.0	81.0	81.0
	Gross farm value 3/	do.	55.2	48.9	45.6	44.1	45.1	44.5	50.2	51.1	52.2	51.4	51.4	87.0	87.0
	Byproduct allowance 4/	do.	4.5	4.4	4.2	4.1	4.3	4.2	4.2	4.3	4.4	4.4	4.4	87.0	87.0
	Net farm value 5/	do.	50.7	44.5	41.4	40.0	40.8	40.3	46.0	46.8	47.8	47.8	47.8	87.0	87.0
	Marketing margin 6/	do.	29.8	26.7	26.9	26.8	25.2	26.7	19.8	21.2	23.2	23.2	23.2	87.0	87.0
	Farmer's share	Percent	63	62	61	60	62	60	70	66	67	67	67	87.0	87.0

1/ It takes 2.16 pounds of live cattle to yield 1 pound of retail beef.

2/ Composite retail price per pound of Choice grade retail beef cuts.

3/ Farm value of 2.16 pounds of Choice grade slaughter cattle including byproduct credit.

4/ Farm value imputed to edible and inedible byproducts.

5/ Gross farm value of 2.16 pounds of Choice grade cattle less byproduct allowance.

6/ Marketing margin is the difference between the retail price per pound of Choice beef paid by the consumer and the price received by farmers for an equivalent quantity, 2.16 pounds, of live Choice grade beef cattle.

7/ Preliminary.

8/ January-October average

Table 11.—Price spread per 100 pounds of live weight between wholesale carcasses beef and live animal price quotations, U. S. Choice, U. S. Commercial, and U. S. Utility grades, 1949-1953, by months 1/

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Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.

Continued

Table 11.--Price spread per 100 pounds of live weight between wholesale carcass beef and live animal price quotations,
U. S. Choice, U. S. Commercial, and U. S. Utility grades, 1919-1953, by months 1/2--Continued

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Continued

Table 11.—Price spread per 100 pounds of live weight between wholesale carcass beef and live animal price quotations, U. S. Choice, U. S. Commercial, and U. S. Utility grades, 1949-1953 by months 1/ continued

	1953												Average
	January	February	March	April	May	June	July	August	September	October			
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	
U. S. Choice Steers													
Wholesale beef carcass price per 100 pounds, 5 markets 2/	45.71	41.62	38.95	37.86	38.78	38.59	41.19	42.20	43.33	41.68		40.99	
Wholesale price (live weight equivalent—57 percent carcass yield)	26.97	24.56	22.98	22.34	22.88	22.77	24.30	24.90	25.56	24.59		24.18	
Byproduct credit	2.26	2.31	2.22	2.16	2.26	2.18	2.13	2.24	2.28	2.22		2.23	
Price paid to farmers at 23 markets 3/	26.74	24.20	22.31	21.66	22.27	21.69	23.17	24.01	24.59	24.21		23.48	
Price spread per 100 pounds of live weight between wholesale price (together with by-product credit) and prices paid to farmers	24.49	24.67	24.89	24.84	24.87	24.26	24.26	24.13	24.25	24.60		24.93	
U. S. Commercial Cows													
Wholesale beef carcass price per 100 pounds, 5 markets 2/	31.41	29.89	30.09	28.85	29.79	28.24	27.44	25.80	27.00	26.47		28.47	
Wholesale price (live weight equivalent—53 percent carcass yield)	16.65	15.84	15.95	15.29	15.79	14.97	14.38	13.67	14.31	14.03		15.09	
Byproduct credit	2.26	2.31	2.22	2.16	2.26	2.18	2.13	2.24	2.28	2.22		2.23	
Price paid to farmers at 23 markets 3/	15.97	15.75	15.57	15.05	14.94	13.38	13.32	12.41	12.42	12.04		11.06	
Price spread per 100 pounds of live weight between wholesale price (together with by-product credit) and prices paid to farmers	24.94	24.10	24.60	24.10	24.11	24.77	24.19	24.39	24.67	24.21		24.26	
U. S. Utility Cows													
Wholesale beef carcass price per 100 pounds, 5 markets 2/	29.53	28.71	29.01	27.23	27.43	25.91	25.16	23.38	23.74	21.58		26.17	
Wholesale price (live weight equivalent—47 percent carcass yield)	13.88	13.49	13.63	12.80	12.89	12.18	11.83	10.99	11.16	10.14		12.30	
Byproduct credit	2.26	2.31	2.22	2.16	2.26	2.18	2.13	2.24	2.28	2.22		2.23	
Price paid to farmers at 23 markets 3/	11.50	11.48	11.39	13.76	13.40	11.55	11.64	10.79	10.54	10.42		12.55	
Price spread per 100 pounds of live weight between wholesale price (together with by-product credit) and prices paid to farmers	14.64	14.32	14.46	14.20	14.75	14.81	14.32	14.44	14.94	14.94		14.98	
1/ The average width of the price spreads for each of the grades is dependent upon the carcass yield factor used to convert the carcass yields shown in this presentation for the different grades were those used by OFS. These spreads are shown to give some indication of the changes, rather than to indicate the absolute width.													
2/ Wholesale prices were obtained for New York, Chicago, Los Angeles, San Francisco, and Seattle markets. The West Coast markets—Los Angeles, San Francisco, and Seattle—were combined and the average was given an equal weight with Chicago and New York.													
3/ Prices were obtained for the following public stockyard markets:													
EAST and SOUTHEAST -- Baltimore, Louisville, Memphis, Nashville, and Montgomery.													
NORTH CENTRAL -- Chicago, Omaha, Kansas City, Sioux City, South St. Paul, St. Louis, St. Joseph, Indianapolis, and Detroit.													
NORTH WEST -- Oklahoma City, Fort Worth, and San Antonio.													
WEST -- Denver, Los Angeles, Billings, North Portland, Ogden and North Salt Lake, and South San Francisco.													
The separate regions were weighted in relation to their importance in total marketings.													

1/ The average width of the price spreads for each of the grades is dependent upon the carcass yield factor used to convert the particular wholesale carcass price to live weight equivalent prices. Carcass yields shown in this presentation for the different grades were those used by OPS. These spreads are shown to give some indication of the changes, rather than to indicate the absolute width.

2/ Wholesale prices were obtained for New York, Chicago, Los Angeles, San Francisco, and Seattle markets, and the average was given an equal weight with Chicago and New York.

3/ Prices were obtained for the following public stockyard markets:
 EAST and SOUTHEAST — Baltimore, Louisville, Memphis, Nashville, and Montgomery.
 SOUTH CENTRAL — Chicago, Omaha, Kansas City, Sioux City, South St. Paul, St. Louis, St. Joseph, Indianapolis, and Detroit.
 WEST — Denver, Los Angeles, Billings, North Portland, Ogden and North Salt Lake, and South San Francisco.

The separate regions were weighted in relation to their importance in total marketings.

NOTE: Because of a change in grade standards, January 1951, price quotations for live cows in 1949 and 1950 are not strictly comparable with 1951 and following years. 1949 and 1950 figures are included simply to give some indication of seasonal patterns.

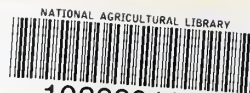
Table 12. Slaughter cattle and calf prices, by grades, Union Stockyards at Chicago, Illinois and Montgomery Alabama, and selected auctions in Louisiana, Georgia, and Florida, September 1952 and 1953

	September 1952				September 1953				Decrease in average price, Sept. 1952 to Sept. 1953			
	Chicago: Le. : auctions: Dol.	Atlanta: Ga. : auctions: Dol.	N. Ga. : Le. : auctions: Dol.	Fla. : Le. : auctions: Dol.	Chicago: Le. : auctions: Dol.	Mont.: Ga. : auctions: Dol.	N. Ga. : Le. : auctions: Dol.	Fla. : Le. : auctions: Dol.	Chicago: Le. : auctions: Dol.	Atlanta: Ga. : auctions: Dol.	N. Ga. : Le. : auctions: Dol.	Fla. : Le. : auctions: Dol.
Steers and Heifers												
Prime	34.28		28.00	26.40	26.40		17.47	20.30	18.91	7.88	7.70	10.09
Choice	31.66		26.61	24.24	24.24		17.34	17.20	16.38	7.42	9.41	8.22
Good & choice 1/		26.16				16.46	17.86	16.51		7.80	8.28	
Good	28.08		24.50	20.28	20.28		13.91	13.58	13.51	8.10	8.89	8.66
Commercial Good 1/	24.10	22.81	22.47	16.00	16.00		10.76	10.19	11.27	7.50	8.56	7.47
Commercial		18.80		12.26	12.26		8.45	8.12	9.26	6.74	6.52	6.42
Utility & Commercial	19.76	15.82	17.75	15.68	15.68	8.62	8.38	7.65		6.97	6.27	5.43
Utility		15.19	14.64									
Cutter		15.35	13.92									
Cutter & Canner 1/												
Canner												
Slaughter Cows												
Good			17.90	18.56	12.41	10.34	10.67	11.03	12.09	7.30	7.23	8.17
Commercial	19.71	18.03	15.92	15.92	10.81	8.93	9.61	9.31	9.73	6.66	6.61	6.80
Utility	17.47	13.96	15.24	14.33	14.09	7.67	2/7.76	7.88	8.02	5.85	7.19	6.07
Cutter												
Canner & Cutter 1/	15.00	11.92	12.53	11.86	9.15							
Canner												
Slaughter Bulls												
Good	22.28		20.32	20.60	12.13		11.80	13.50	14.68	10.15	8.52	11.82
Commercial	22.62		18.61	19.94	14.20			11.71	12.14	8.42		7.80
Utility & Commercial			17.13									
Utility	20.88		17.10	17.17	12.59	11.03	10.09	9.68	10.53	8.29	7.11	6.64
Cutter	18.46		14.38	15.00	10.42	2/8.78	8.21	7.80	8.44	8.04	6.17	5.56
Cutter & Canner 1/			14.83	14.25			8.30	7.55		6.53	6.70	6.10
Canner												
Slaughter Calves 5/												
Choice & Prime	27.70			16.29						11.41		
Choice			26.54	28.00		15.79	16.40	15.83	16.33			9.67
Good & Choice 1/		23.70	26.25	25.75		14.86	13.73	15.70		11.66	10.05	8.73
Good				24.23			14.01	13.61	15.07	8.84	12.24	10.62
Commercial & Good	22.96									9.09		8.85
Commercial		21.22	20.61	21.33	12.52	12.13	11.61	11.86	12.48			
Utility & Commercial 1/		18.07				9.96	9.92	10.09	10.54	8.11	7.46	7.83
Utility				18.37			8.00	7.85	8.82			6.99
Cull			15.46	13.98	15.81							
Vealers												
Choice & Prime	32.45			21.21						11.24		
Commercial & Good	27.77			17.11						10.66		

1/ Except for Chicago includes only those reports for which a more detailed grade breakdown was not available. 2/ Includes Canner. 3/ Includes Utility. 4/ Comparable grade data not available for September 1952. 5/ Includes vealers except at Chicago.

Table 13. Slaughter cattle and calf prices: Highest and lowest weekly average of daily quotations for any of the three markets, Chicago, Kansas City, and Omaha for week ending September 20, 1952, June 20, July 18, August 15, and September 19, 1953

Commodity	Week Ending				Decline from week ending September 20, 1952 to			
	Sept. 20, 1952	June 20, 1953	July 18, 1953	Aug. 15, 1953	Sept. 19, 1953	June 20, 1953	July 18, 1953	Sept. 19, 1953
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Steers								
Prime	34.08-34.88	22.62-23.52	27.12-27.60	26.02-26.75	27.58-28.85	11.46-11.36	6.96-7.28	8.06-8.13
Choice	31.65-32.02	21.00-21.75	24.88-25.42	23.95-24.85	25.00-26.12	10.65-10.27	6.77-6.60	7.70-7.17
Good	27.45-28.70	18.45-19.75	21.98-22.60	20.42-21.48	20.58-21.68	9.00- 8.95	5.47-6.10	7.03-7.22
Commercial	22.25-25.00	15.00-17.02	18.65-19.18	16.50-17.65	15.92-17.02	7.25- 7.98	3.60-5.82	5.75-7.35
Heifers								
Prime	33.28-33.95	22.52-22.62	25.75-26.32	24.45-25.30	25.10-25.32	10.76-11.33	7.53-7.63	8.83-8.65
Choice	31.20-31.32	20.75-21.35	24.20-24.52	22.65-23.32	22.48-23.60	10.45- 9.97	7.00-6.80	8.65-8.00
Good	27.05-28.12	18.08-19.38	21.45-21.90	19.00-20.00	18.30-19.95	8.97- 8.74	5.60-6.22	8.05-8.12
Commercial	21.68-23.75	14.75-16.50	17.90-18.62	14.85-15.72	14.70-16.25	6.93- 7.25	3.78-5.13	6.83-8.03
Cows								
Commercial	17.58-19.85	12.50-14.10	13.98-15.40	12.68-13.28	12.78-13.62	5.08- 5.75	3.60-4.45	4.90-6.57
Utility	15.75-17.82	10.92-11.95	12.88-13.75	11.42-11.55	11.25-11.82	4.83- 5.67	2.87-3.87	4.33-6.07
Canner & Cutter	13.58-14.98	8.42- 9.72	10.72-11.82	9.52- 9.62	8.92- 9.70	5.16- 5.26	2.88-3.16	4.06-5.36
Vealers								
Choice & Prime	27.50-31.50	17.60-22.00	19.40-23.40	19.00-23.50	18.00-22.40	9.90- 9.50	8.10-8.10	8.50-8.00
Commercial & Good	22.00-26.50	14.50-18.00	16.90-19.40	15.00-19.50	14.00-18.40	7.50- 8.50	5.10-7.10	7.00-7.00
Calves								
Choice & Prime	22.50-26.70	16.80-20.25	19.65-20.90	17.50-19.50	16.30-17.60	5.70- 6.45	2.85-5.80	5.00-7.20
Commercial & Good	18.50-22.30	13.40-17.25	15.95-17.20	14.00-16.00	12.30-14.20	5.10- 5.05	2.55-5.10	4.50-6.30



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